

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of)	
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Auction of Advanced Wireless)	
Services Licenses Scheduled)	AU Docket No. 06-30
For June 29, 2006)	
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COMMENTS OF CENTENNIAL COMMUNICATIONS CORPORATION

By Public Notice¹ dated January 31, 2006, the Wireless Telecommunications Bureau (“Bureau”) announced the auction of Advanced Wireless Services (“AWS”) licenses in the 1710-1755 MHz and 2110-2155 MHz (“AWS-1”) bands.² Competitive bidding is set to begin on June 29, 2006. In the Public notice, the Bureau also sought comment on certain proposed bidding procedures for the AWS-1 licenses as well comment on a proposal to limit the information available to bidders before and during the auction. Centennial Communications Corp. (“Centennial”), whose subsidiaries are CMRS licensees in six states, Puerto Rico, and the Virgin Islands, offers the following

¹ DA 06-238 (January 31, 2006) (“PN”).

² *See* Service Rules for Advanced Wireless Services in the 1.7 GHz and 2.1 GHz Bands, WT Docket No. 02-353, *Report and Order*, 18 FCC Rcd 25162 (2003); *modified by* Service Rules for Advanced Wireless Services in the 1.7 GHz and 2.1 GHz Bands, WT Docket No. 02-353, *Order on reconsideration*, 20 FCC Rcd 14058 (2005).

comments regarding the feasibility of auctioning the AWS-1 licenses using two, concurrently auctions and on the proposed limitation of information to bidders.

1. Concurrent Auctions.

The Bureau proposes to auction all 1,122 AWS-1 licenses in a single auction using the Commission's standard simultaneous multi-round ("SMR") auction format, to be known as Auction 66. As an alternative to this standard and well tested format, the Bureau has proposed allocating the AWS-1 licenses between two auctions, to run concurrently, with one of the auctions using the SMR format and the other using the Commission's package bidding format ("SMR-PB").³ The Bureau seeks comment on this proposal as well as on other changes it proposes to make to the SMR format.

Package bidding, as the Public Notice acknowledges, seeks to capture the premium a bidder may ascribe to its ability to acquire a group of licenses in one winning bid as opposed to trying to assemble the same group through single bids in the SMR format. While the theory of package bidding suggests it should be attractive to certain bidders and thus potentially lucrative to the government as a result, its practical operation is daunting. For example, if all 1,122 AWS-1 licenses were included in the packaged bidding procedure, the number of possible license combinations would be beyond comprehension

³ PN at 2.

and, as the Bureau implies, impossible to administer.⁴ Limiting the package bidding auction to the 12 large REAG blocks would produce a still large but comprehensible number of 4095 potential combinations for each of the D, E and F blocks. Perhaps for this reason, the Bureau suggests limiting the SMR-PB format to the E and F blocks.⁵

In Centennial's view, and the Bureau appears to agree, it is simply not possible to operate an auction for the CMA and EA AWS-1 licenses using the SMR-PB format. Even though the number of combinations bid upon would never approach the theoretical, and astronomically high, potential number of combinations in those blocks, the numbers that would be involved are likely to overwhelm the systems of the Commission and the bidders. For this reason, Centennial urges the Bureau not to attempt a project that very likely outstrips any organization's ability to manage it.

The less daunting numbers of the E and F blocks suggest that an SMR-PB format auction may be manageable there. However, Centennial urges caution because the rules for determining a provisional winning bid in the SMR-PB format introduce more complexity into the calculations of a bidder

⁴ The number of possible combinations if all 1,122 licenses are included is unimaginably large: 5.7×10^{337} . See PN at 5, n. 21. The CMA licenses alone also produce an unmanageable number of potential combinations (9×10^{220}) as do each of the EA blocks of 176 licenses (9.6×10^{52}). No auction will, of course, produce this number of combinations. However, given the virtually unbounded number of combinations available, an SMR-PB auction can quickly become unmanageable over the course of several rounds of bidding.

⁵ PN at 5.

who seeks to participate only in the SMR format auction.⁶ As the Bureau itself noted

[T]he SMR-PB format may be more complex for the bidders if they wish to aggregate *any or all* of a number of licenses because they cannot win a group of licenses unless they have explicitly placed a bid on that exact combination. In an SMR-PB auction, bidders may need to place a large number of bids in order to completely express their interests. If they do not place the bids, the system may not be able to find a consistent set of smaller bids that collectively exceeds the amount of a large package bid, thereby potentially making it more difficult for bidders interested in small groups or single licenses to compete against bidders interested in large aggregations. (Emphasis in original. Footnotes omitted).⁷

Placing a large number of bids in two concurrent auctions for the same properties offers many opportunities for error, especially when one of the auction formats is not well tested, and the spectrum auctions themselves are the most important wireless auctions since the original PCS auctions of ten years ago.

For bidders, the complexity of this system will require a commitment of greater resources than is typically devoted to an SMR format auction. Indeed, some bidders may find the commitment of resources too great a cost for the auction. For the Commission, an error in determining a provisionally

⁶ See PN at 18. At the end of each SMR-PB round, the auction system will determine a set of provisionally winning bids by finding the combination of non-overlapping bids that yields the highest aggregate gross bid amount while not allowing any bidder to have more than one provisionally winning bid. Unlike the SMR format, however, bids in the SMR-PB format remain active throughout the auction. Thus, a losing package bid in a prior round may suddenly appear as a provisionally winning bid in a later round as the result of shifts in the various packages of bids. Whether a bidder seeking only one license can manage data in both auctions from round to round remains to be seen and should be a serious concern for the Bureau.

⁷ PN at 5.

winning bid in either auction is potentially fatal for the results of both auctions, and could delay the commercial exploitation of the spectrum just as the wireless industry is poised to introduce advanced services already available in other parts of the world.

Overall, Centennial believes that operating two concurrent auctions in the manner proposed is counterproductive to the efficient allocation of the AWS-1 licenses. If, however, the Bureau elects to move ahead with a package bidding format for any of the AWS-1 blocks, Centennial urges it to take extreme care to ensure that the process is manageable and reliable. In any case, a concurrent SMR-PB format auction should be limited to the E and F REAG blocks only.

2. Limitation on Information Available to bidders

The Bureau proposes to withhold information on bidder interests and the identities of bidders placing bids and the amount of non-winning bids, which are normally released after each round. Centennial believes that withholding this information will have a materially detrimental effect upon a bidder's ability to gauge the bid it should make for markets at auction.

Since the inception of competitive for CMRS licenses, the Commission's rules have provided for the disclosure of a bidder's interests and the identity and amounts of bids placed in each round on each market in the auction. The Commission has done this deliberately because it felt – correctly – that bidders would participate more confidently in a fully transparent process in

which the bids and identities of their competitors are known.⁸ Good reasons underlie this policy and circumstances of the current auction have not changed them.

The Bureau suggests in its notice that the “potential benefits from fully revealing bid and bidder information are less likely to be important in the AWS-1 auction than they have been in other FCC auctions...”⁹ The potential benefits to which the Bureau refers are useful technical information regarding interference and other network issues as well as potential roaming arrangements.¹⁰ The Bureau speculates that these benefits “may be less significant in an auction of AWS-1 licenses.”¹¹ Centennial submits they are as vitally important now as in previous auctions; indeed, for small and regional carriers the information is critical to their ability to provide advanced services to rural and small town America.

Because the wireless industry in the United States has proceeded on a market-driven basis, the industry is divided among competing technologies. For carriers to construct efficient networks that can offer customers seamless roaming nationwide, interference-free operation of their handsets, and rapid data services, knowledge of the identity of bidders and their bids is a critical input to a carrier’s decision of where and how to expand its network’s capa-

⁸ Implementation of Section 309(j) of the Communications Act – Competitive Bidding, PB Docket No. 93-253, *Second Memorandum Opinion and Order*, 9 FCC Rcd 7245 at 7252 ¶39 (*2d Memo Opinion and Order*).

⁹ PN at 6.

¹⁰ *Id.* At 7; *2d Memo Opinion and Order* at ¶¶ 39, 42.

¹¹ PN at 7.

bilities. Currently, the wireless industry is poised on the cusp of constructing high-speed data networks that will provide Internet access, entertainment, and a host of other features. These investments are large and risky. Information that suggests that a larger and technologically compatible carrier is prepared to invest in these new markets will encourage smaller carriers like Centennial to bid for the spectrum needed to upgrade services in their markets. Without the ability to determine that its customers will have access to compatible new services over a broader geographical area, or lacking confidence that there will be brisk demand for equipment and consumer products for the new services, smaller carriers have less incentive to bid aggressively for new spectrum.

For these reasons, Centennial strongly urges the Bureau not to change the rules regarding the information that has always been released to bidders before and during the auction.

CONCLUSION

For the foregoing reasons, Centennial Communications Corp. urges the Wireless Telecommunications Bureau not to adopt the proposed concurrent auctions outlined in the Public Notice for Auction 66, which is the most important wireless auction since the Personal Communications Services auction of a decade ago. Alternatively, if the Bureau finds that the complexity and operational difficulty of such an approach are outweighed by the merits of running two concurrent auctions for the AWS-1 licenses, Centennial urges the Bureau to adopt this approach only for the E and F blocks and only upon solid assurance that the two auctions can be reliably and efficiently conducted.

Centennial urges the Bureau not to adopt its proposal to withhold information about bidder interests and the identities of bidders placing bids. Centennial believes strongly that this proposal to withhold information from bidders would have detrimental effect on the domestic deployment of the advanced wireless services already available in many parts of the world.

Respectfully submitted,

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